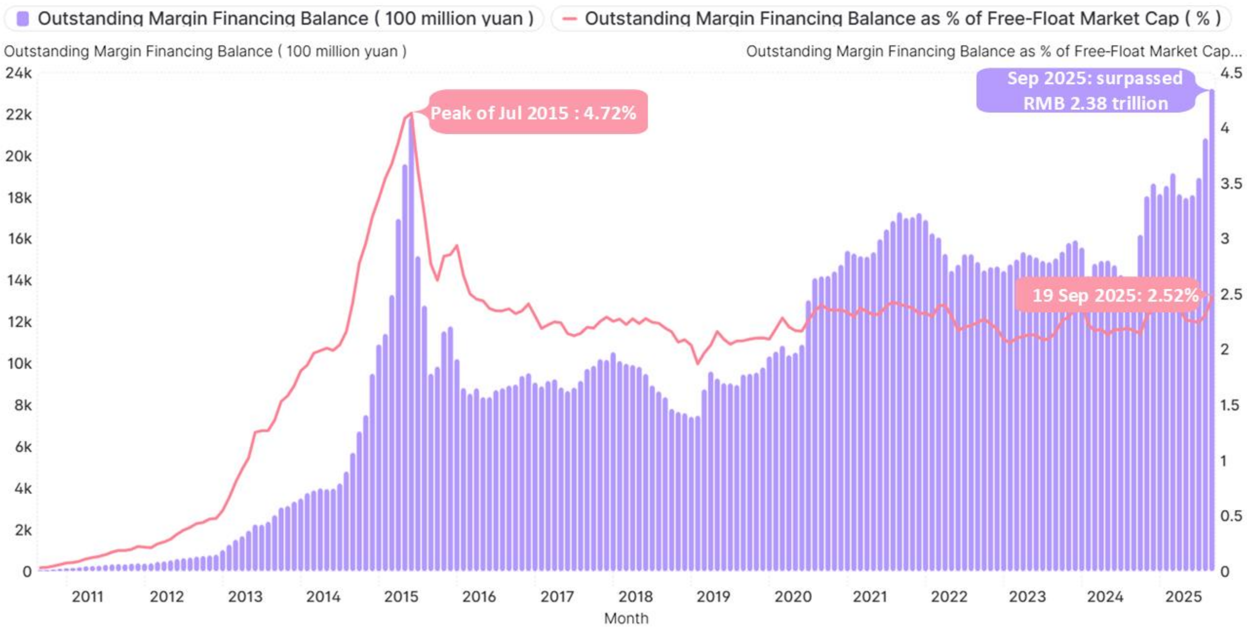
Momentum, Not Mania: The Leverage Math Behind A-Shares' Surge

Xin Wu | September 25, 2025

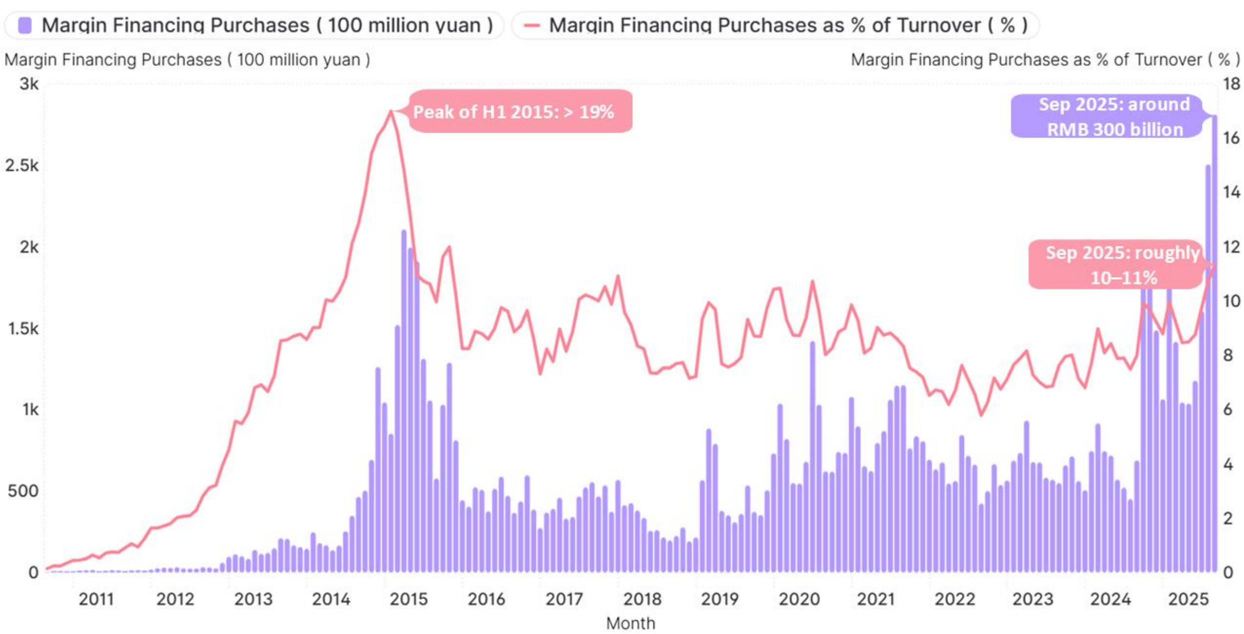
After months of gloom with the CSI 300 hovering slightly above 3,000 before September 2024, sentiment has flipped. With the index now north of 4,500, the conversation has shifted from "How much lower?" to "Did we rise too far, too fast?" Our take: participation is up, but leverage discipline looks intact.

Key insights from margin financing:



Source: Wind, Banyan Partners

As the Outstanding Margin Financing Balance as % of Free-Float Market Cap chart shows, A-shares outstanding margin financing balance surpassed RMB 2.38 trillion in September. This is a historical high and a clear sign of rising participation. Yet the outstanding margin balance as a share of free-float market cap is just 2.52%, far below the 4.72% peak in June 2015. Even with record absolute margin levels, the relative leverage ratio remains reasonable because China's equity market has expanded materially over the past decade. The market has grown meaningfully; leverage, in relative terms, remains contained.



Source: Wind, Banyan Partners

The Margin Financing Purchases as % of Turnover chart tells the same story. Average daily margin financing purchases so far in September were around RMB 300 billion, roughly 10–11% of corresponding daily A-share turnover. In H1 2015, margin trading frequently exceeded 14% and peaked at an all-time high above 19%, remaining elevated for an extended stretch. Today's leverage footprint is notably more muted.

What it means now:

Put together, these metrics indicate a market that is clearly hotter but not over-levered. The current upswing reflects broader participation without the kind of leverage intensity that amplified risk in 2015. This "heat with restraint" points to a more mature market structure—one where growth in free-float and institutional participation helps absorb rising activity. A-shares still have headroom for further appreciation, provided fundamentals continue to improve and liquidity conditions remain supportive. In short, sentiment has normalized from extreme pessimism to guarded optimism, but leverage data suggests the advance is on firmer footing than in prior cycles.

Our outlook:

As value investors, we anchor decisions in fundamentals alongside market microstructure. We've just passed the semiannual reporting period for all A-shares, so the next step is to assess how companies performed—and how our portfolio companies executed. We'll share those statistics in an upcoming post. For now, our stance remains constructive on A-shares overall, and especially optimistic about our portfolio given the combination of improving sentiment, and company-specific fundamentals.